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EQUIPMENT DEALERS

1982 COST OF DOING BUSINESS STUDY

AGRICULTURAL-INDUSTRIAL-LAWN & GARDEN

FIG. 1
DEALER TOTAL SALES TRENDS

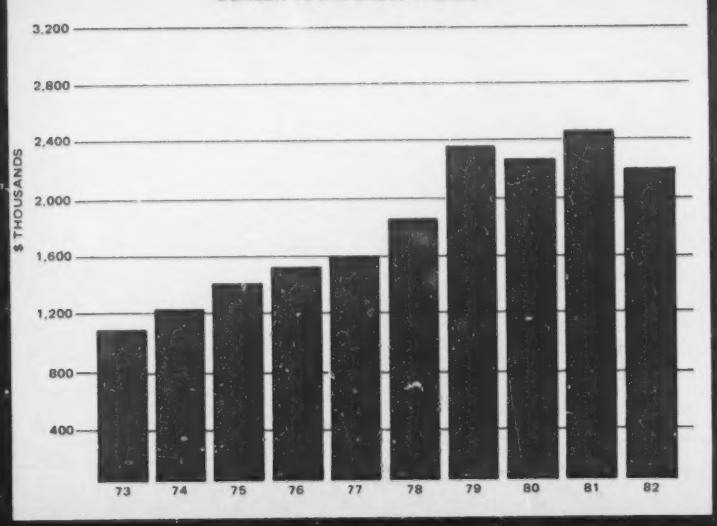
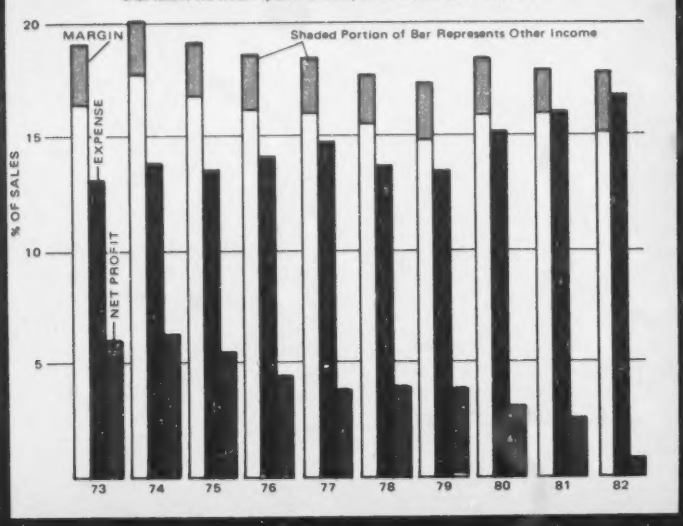


FIG. 2
DEALER MARGIN, EXPENSE, AND PROFIT TRENDS



SALES/MARGINS/EXPENSES/NET PROFIT/FINANCIAL RATIOS
BALANCE SHEET DATA/EMPLOYEE STUDIES

NATIONAL FARM & POWER EQUIPMENT DEALERS ASSOCIATION
10877 WATSON ROAD • ST. LOUIS, MISSOURI 63127

FOREWORD

As in each year since 1947, special questionnaires were mailed early in the year to approximately 11,000 U.S. and Canadian agricultural and industrial equipment dealers as well as to selected non-member U.S. lawn and garden equipment dealers. Direct mailings of the forms were made from the National Association headquarters in St. Louis and support mailings were made by cooperating affiliated state and regional associations.

The questionnaires conform to all of the widely-used dealer accounting systems and were designed to secure significant information on departmental sales and margins, a breakdown of dealer overhead, and balance sheet and employee data.

Hundreds of responses were received in the mail survey. In addition, most of the dealers currently using association computer accounting systems throughout the U.S. were included. Publication of this study is made possible only through the cooperation of dealers and their bookkeepers who furnished comprehensive departmental operating information and the detailed balance sheet and expense breakdowns. Sincere thanks plus a free copy of this booklet are due those who took time out of busy schedules to compile information for this important project.

Returns were received from dealers in the three geographical regions shown below, in almost exact proportion to the number of members in these regions:

STATES OR PROVINCES IN EACH REGION

EASTERN		CENTRAL		WESTERN	
Alabama	New York	Arkansas	Minnesota	Alberta	New Mexico
Connecticut	North Carolina	Illinois	Mississippi	Arizona	North Dakota
Delaware	Ontario	Indiana	Missouri	California	Oklahoma
Florida	Pennsylvania	Iowa	Ohio	Colorado	Oregon
Georgia	Quebec	Kentucky	Sask-Man	Idaho	South Dakota
Maine	Rhode Island	Louisiana	Tennessee	Kansas	Texas
Maryland	South Carolina	Michigan	Wisconsin	Montana	Utah
Massachusetts	Vermont			Nebraska	Washington
New Hampshire	Virginia			Nevada	Wyoming
New Jersey	West Virginia				

The number of agricultural dealer participants by sales volume category were as follows:

	1981		1982	
Sales Volume	No. of Dealers	% of Total	No. of Dealers	% of Total
To $1 Million	277	19	285	23
$1 Million to $2 Million	466	32	420	35
$2 Million to $3 Million	306	21	276	22
Over $3 Million	407	28	254	20
	1,456	100	1,235	100

The number of returns received from industrial (60) and lawn and garden (15) dealers were insufficient to provide volume group studies as are provided on pages 10 to 13 herein for agricultural dealers.

Operating studies by geographical region for agricultural dealers are shown on page 14. Regional balance sheet information is not included.

Combined total retail sales of dealers responding in the survey were in excess of $2,750,000,000.

Separate studies of agricultural, industrial and lawn and garden dealers are shown on pages 8 and 9. Dealers were classed as industrial or lawn and garden if 50 percent or more of their equipment sales in the year were these classes of goods.

HIGH-PROFIT STUDIES

Returns used in compiling averages of high-profit dealers represent approximately one-fourth of the particular group. To arrive at these figures, the questionnaire returns were first ranked according to percentage of net profit (or loss) to sales, from the highest profit downward. The best one-fourth of the returns in the array were then selected to make these tabulations—a most interesting and valuable part of the Cost of Doing Business Study.

PERCENTAGE CALCULATIONS

All percentages shown in operating studies are in relation to sales. They are computed by dividing the dollars of margin or expense by sales.

In the case of margins, each item is divided by sales of the particular department to arrive at the percentage of margin for the department. Total margin divided by total sales gives the percentage of margin on the composite of all sales.

Percentages shown for expenses are in relation to total sales. Again, the dollar amount for each item is divided by total sales to arrive at the percentage.

Operating percentages are important since they reflect the degree of operating efficiency. These figures are the true test of performance and serve as a sound basis for accurate comparison regardless of sales volume.

Individual dealer financial and operating information is held in strictest confidence at the National Association headquarters. All of the editing and coding of reports are performed "in house" and completely tabulated on NFPEDA's own computer.

1982 COST OF DOING BUSINESS STUDY

A three-year adverse business and profit trend for farm equipment dealers has continued its depressive course in 1982. Those who thought 1981 was a bad year will find it hard to describe 1982 with its decline in sales activity and "plunge" in profits. Sales were off 11.7 percent, while dollars of profit earned per $100 of sales skidded 59 percent. That means over half of dealers' profits were wiped out between 1981 and 1982. In terms of profit dollars, the plunge was $35,380 average per dealer, which reduced profit from $55,596 in 1981 to $20,216 in 1982, a drop of 64 percent. Another way to describe it is to say that profits were off from 1981's pre-tax profit of 2.25 percent of sales to 1982's record low of .92 percent. *There has never been a lower return on sales for dealers in this industry in the thirty-five years of National's Cost of Doing Business Studies!*

A sales decline of 11.7 percent would ordinarily seem to be livable for dealers in this industry, but not when it comes out of equipment margins as was the case in 1982. Margin on new and used equipment sales combined in 1982 was 7.17 percent compared to 8.62 percent in 1981, reflecting pressure from a continuing depressed market for equipment. On these percentage points, the margin is down 19 percent; and on dollars of margin, it is down a hefty 29 percent on the year. When dealers find sales hard to come by as in times like these, they are too often forced to surrender margins in order to get any inventory turn at all. The seriousness of this situation is painfully apparent when you consider that if dealers could have maintained last year's equipment margin of 8.62 percent, they would have added over $21,000 to profit for 1982 which is more than double.

There has never been a lower percentage of margin on equipment sales for dealers in this industry in the thirty-five years of National's Cost of Doing Business!

The decline in average dealership sales revenue shows up in still another way in the 1982 Cost of Doing Business, and that is in the "population" of participating dealers in the three largest volume groups shown in the tabulation on page 2. While dealers with sales under $1 million increased in number of participants, each of the other three categories of larger volume dealers decreased in number of participants. This would suggest that a major realignment has occurred in population of dealers in the four volume groups due to substantial declines in sales in 1982.

The number of participating dealers with sales under $1 million increased from 277 to 285 during the year, while the other three groups showed declines from 466, 306 and 407 in 1981 to 420, 276 and 254 respectively in 1982. The decline in the largest volume group was a sizable 38 percent. (Volume groups are shown on page 2.)

Averages are difficult to comprehend, particularly this year when the overall business picture is so bleak. Yet there are dealer success stories to be told. In 1982, for example, 63 percent of reporting dealerships were profitable, while 37 percent were in the "red." This means that two out of three dealers made money in 1982. In 1981, 74 percent were profitable.

Furthermore, in 1982, 23 percent of all reporting dealerships had a net pre-tax profit of over 3 percent of sales.

In the past three years, the dealers in the largest volume group have had substantially better ratio of profit to sales than did the dealers in the group under $1 million.

Geographic location may also have something to do with profits. Dealers situated in North Dakota, Virginia, Far West and Deep South have had, on the average, two fair-to-good profit years in succession. Following is a list of associations that had twenty-five or more dealerships participating in the 1982 Cost of Doing Business Study. This list shows how average dealers fared for sales and net profit ratio to sales in 18 areas of North America.

	1982		1981	
Association	Average Sales (Millions)	Profit % of Sales	Average Sales (Millions)	Profit % of Sales
Caroiinas	$1.399	.37%	$1.728	2.32%
Deep South	2.474	2.07	3.360	3.94
Illinois	2.566	.59	2.916	1.69
Indiana	1.790	(.49)	2.159	2.04
Iowa-Nebraska	2.235	.79	2.481	1.06
Michigan	1.582	1.59	1.829	1.56
Mid-South	1.946	(.42)	2.488	2.00
Minn-South Dakota	2.267	.57	2.393	1.55
New York	1.820	1.56	2.077	1.60
North Dakota	2.023	3.03	2.995	3.69
Ohio	1.434	(1.31)	1.782	1.97
Pennsylvania	1.717	1.40	1.804	2.71
Southwest (Texas-N. Mexico)	2.097	1.21	2.506	3.43
Virginia	1.490	2.28	1.453	4.62
Western (Kansas-Missouri)	1.907	.83	2.010	2.65
Wisconsin	2.051	(.02)	2.302	1.18
Far West (California-Arizona-Nevada)	3.861	2.11	4.254	3.88
Ontario	2.195	1.57	3.109	2.34

Parts and Service

Two bright spots, comparatively speaking, in the 1982 Cost of Doing Business Study were the parts and service operations. Parts sales climbed by a modest 1.6 percent over 1981, and this continued the upward trend which has endured all manner of bad times over a period now extending into the eleventh straight year.

Service sales were down slightly in 1982 from 1981, going from an average of $162,327 to $157,181, a decline of 3.2 percent on the year.

Margins on both parts and service showed improvement in 1982. Parts margins rose to $142,989 from the 1981 margin of $138,072, an increase of $4,917 for the average dealer, or 3.6 percent on the year. Dollars of margin earned per $100 of sales rose by a modest rate of 2 percent.

It was encouraging to see dealer margins improving on service sales in 1982 in the face of the adverse equipment sales figures. While the increase was only 1

percent, it was most welcome to dealers who were doing everything possible to offset the unfavorable sales climate and keep operations going.

Parts and service sales combined represented 28.0 percent of total sales in 1982 which is an increase from 24.7 percent in 1981. This is merely compensation in the sales mix for the decline in whole goods sales.

Cost of Doing Business Studies of farm equipment dealers show that the rate of parts inventory turnover is historically too low and seems to be getting gradually worse, meaning that inventories are too high and are creating a waste and unnecessary expense to dealers as a result of today's high cost of money.

Dealers could very well gain from careful and frequent studies of parts inventories, perhaps zeroing in first on high-priced parts. Dealers ought to have as a goal a turnover in parts inventory of between 2½ and 3 times annually instead of the 1.8 times turn experienced in 1982. What this would have done for the average dealer in 1982 is add $47,653 to his operating capital for profitable use in areas other than parts.

Salaries and Wages

Dealer expenditures for salaries and wages in 1982 were trimmed by a substantial 5.8 percent from the 1981 total. Employee benefits, which includes payroll taxes, group insurance and pensions, went the opposite way, increasing by 1 percent for the year.

Salary and wage reductions by dealers during 1982 were unquestionably made to compensate for the business slowdown resulting from the lackluster agricultural economy. Officers' and owners' salaries were trimmed the largest amount—an average of $4,400 which is 10.2 percent on the year. Sales compensation was next, coming in for a cut of $2,400 or 7.3 percent. Partsmen and office employee wages were trimmed by smaller amounts.

Following is a comparison of various types of wages paid in the two years, 1982 and 1981:

	1982	1981
Officers and Owners	$ 38,620	$ 43,074
Sales Compensation	30,726	33,149
Servicemen/Mechanics	95,480	101,231
Partsmen	31,757	32,103
Office and Other	24,695	25,370
Employee Benefits (Taxes, Group Insurance, etc.)	31,936	31,609
	$253,214	$266,536

Other Expenses

Almost all expenses of operating the average dealership increased in relation to total sales in 1982. As a total, the expense ratio was 16.69 percent of sales in 1982 compared to 15.33 percent of sales in 1981. This means that dollars of expense per $100 of sales soared 8.87 percent for the year. The bad news is that this increase in expenses cost the average dealer $29,798 which is substantially worse than the previously cited decline in whole goods margins. This would have been extra profit if last year's expense ratio of 15.33 percent could have been maintained.

Another expense factor which has assumed alarming proportions in dealership operations in the past couple of years is the item of interest on borrowings (other than real estate mortgage interest which is considered a part of occupancy cost). Interest expense continues its climb, this past year reaching 1.80 percent of sales and a dollar expenditure of $39,213 for the average dealer. The increase from last year in interest expense per $100 of sales soared 17.6 percent. No other item of expense showed such a hefty increase in the year.

The trend of interest expense for dealers is not necessarily a surprise, especially in view of the difficulty in selling machinery during 1982.

Every dealer is unquestionably working at expense control in his business. It may well be that expense control measures were not adopted early enough in 1982 by many dealers to make a difference for the year.

Assets, Liabilities and Equity

On the national average balance sheet, cash and receivables both declined in 1982 as compared to the year earlier. These items totaled $178,503 in 1982 and $186,125 in 1981. Whole goods inventories were up 11 percent. However, "paid-for" inventory increased substantially more than that, advancing from $153,544 in 1981 to $222,405 in 1982—an increase of almost 45 percent. Dealers were doing everything possible to keep floor plan interest costs down.

Bank financing by dealers was up by nearly 11 percent, going from $109,589 in 1981 to $121,309 in 1982—an increase of $11,720 in the year.

Net worth of the average dealer advanced 13 percent, from 1981's level of $362,049 to $409,811 in 1982. The average dealer owned 26.35 percent of his business in 1982 while outside financing provided the other 73.65 percent. This is an improvement over 1981 when equity was 24.60 percent of the business.

Personnel

Personnel, productivity and service data for the last two years are tabulated below:

	1982	1981
Average Number of Employees per Dealer	12.33	13.13
Average Total Sales per Employee	177,614	188,966
Average Total Assets per Employee	126,131	112,111
Average Number of Salesmen-Including Owners	2.84	2.94
Average New and Used Sales per Salesman	[illegible]205	586,191
Average Number of Partsmen	[illegible]7	2.14
Average Parts Sales per Partsman	[illegible]03	210,289
Average Number of Servicemen	5.50	5.85
Average Service Sales per Serviceman	28,579	27,748
Average Number of Office Employees	1.47	1.63
Average Number of Other Employees	.55	.58
Average Hourly Wage-Top Mechanic	7.53	7.57
Average Hourly Wage-Regular Mechanic	5.99	6.09
Average Hourly Customer Shop Rate	20.29	19.77
Average Hourly Internal Shop Rate	17.49	17.15
Service Shop Open-Average Hours per Week	45.52	45.78

These figures show that dealers are getting more productivity out of their parts departments and service shops using less personnel in 1982 than they did in 1981.

Dealers with Sales Under $1 Million

This group of dealers, representing 23 percent of the total number of participants in the Cost of Doing Business Study, was the only one out of the four groups to suffer a loss in 1982. In 1981, they were also lowest in net profit so this seems to be a negative trend for the smaller dealers.

Percentages of margins on sales, both total and by department, were very high for these dealers compared to the other dealer groups. For example, margin percentage on total sales was 18.36 percent compared to 16.64 percent, 14.85 percent and 13.88 percent realized by the average dealers in the higher volume groups.

However, the exceptional margin percentages could not overcome the crushing overhead which amounted to 21.63 percent of sales in 1982. In 1981, these dealers had expenses of 19.68 percent of sales which was also highest of all four of the volume groups.

Interest expense for the average of these low-volume dealers in 1982 amounted to a *very large* 3 *percent of sales.*

Dealers with Sales Between $1 Million and $2 Million

Almost the same can be said for this group of dealers as the previous volume group—namely, that margins on sales were excellent but expenses were devastating. Total expense for 1982 was in a ratio of 18.44 percent of total sales as compared to the previous year's expense factor of 16.58 percent. These figures indicate an increase in expenses per $100 of sales of 11.22 percent. Because of the exceptionally high expense factor, these dealers were below the national average in net profit by a minus 30 percent, which is the approximate difference between this group's profit of .65 percent of sales and the national average profit of .92 percent.

Interest expense also loomed in the total expense picture for this volume group in 1982. The item was 2.08 percent of sales and amounted to $31,052 in 1982 as compared to 1.80 percent of sales and $26,989 in 1981. The increase was $15.55 for each $100 of sales in 1982 compared to 1981.

Dealers with Sales Between $2 Million and $3 Million

Net profit was almost non-existent for this group in 1982. A net profit return of just $8,552 on a whopping sales volume of nearly $2½ million produces a profit ratio of only ⅓ of 1 percent.

Margins for this group were slightly better than the year earlier, going from 14.57 percent of total sales to 14.85 percent. These dealers did not hold the line on expenses, however, and ended the year with an expense ratio of 17.04 percent of sales compared to the year earlier ratio of 15.63 percent. Dollars of expenses per $100 of sales were therefore 9 percent higher in 1982 than in 1981.

Interest expense was substantial for this group in 1982. The expense factor for the item was 1.91 percent of total sales and amounted to $47,028. Interest expense per $100 of sales increased 15 percent in the year, going from $1.66 in 1981 to $1.91 in 1982.

Dealers with Sales Over $3 Million

Margins on sales of equipment for this group were the lowest of all four volume groups. The ratio was 6.28 percent of sales for 1982 which was down from 10.81 percent in 1981. Margins earned per $100 of total new and used equipment sales in 1982 declined by 41.9 percent in the year, which is indeed a very large drop.

Profits were the best of all four volume groups; however, not because of good margins, but because these dealers held the line on expenses at almost the same level as in 1981. The expense ratio in 1982 was a very satisfactory 14.78 percent compared to the year prior figure of 14.36 percent.

Interest expense was also held in line for these dealers in 1982. The expense ratio for this item was 1.38 percent of total sales in 1982 as compared to 1.29 percent in 1981 which translates into increased expense per $100 of sales of $7.00.

Industrial Dealer Operations

Dealers classified as industrial are those who indicated that 50 percent or more of their whole goods sales in 1982 were industrial. Dealers of this classification were 60 in number, which is a decline in responses from a year earlier.

However, according to these respondents, industrial dealers fared very well in 1982. Sales were up, percentages of margin earnings were up, expenses were held at about 1981's level, and profits advanced from 1.50 percent of sales in 1981 to 1.80 percent of sales in 1982. Net profit earned per $100 of sales advanced by $0.30, which is an impressive 20 percent for the year.

Total sales advanced by just over 5 percent in the year, and percentage of total margin on sales improved from 18.25 percent in 1981 to 19.04 percent of sales in 1982. In dollars of margins earned per $100 of sales, this is an increase of 4.33 percent.

Equipment inventory levels jumped dramatically in 1982 over 1981. The total of new and used whole goods advanced from $704,930 to $901,676, an increase of $196,746 or nearly 28 percent on the year.

Dealership equity improved in 1982 over 1981 from 31.25 percent to 38.27 percent, while return on net worth declined from 8.54 percent down to 7.22 percent.

Lawn and Garden Dealers

Returns from lawn and garden equipment dealers were only 15 in number in 1982 which is not deemed to be sufficient to draw any conclusions on the state of the industry. Nevertheless, those association members who handle lawn and garden equipment will find the operating and balance sheet data published herein to be of interest.

DEALER BUSINESS TRENDS

(FOR THE PAST 10 YEARS)

FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

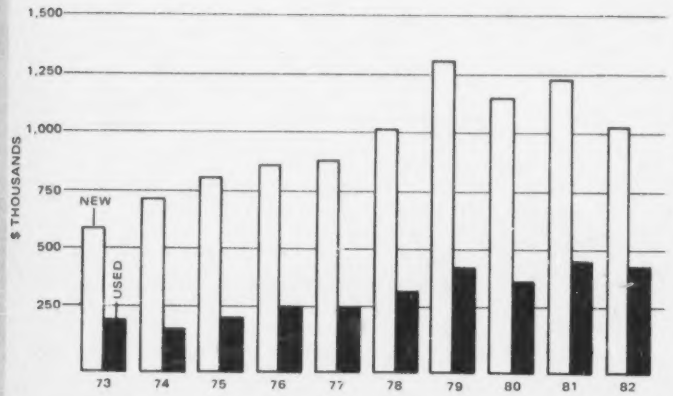


FIG. 4
PARTS–SERVICE–OTHER SALES TRENDS

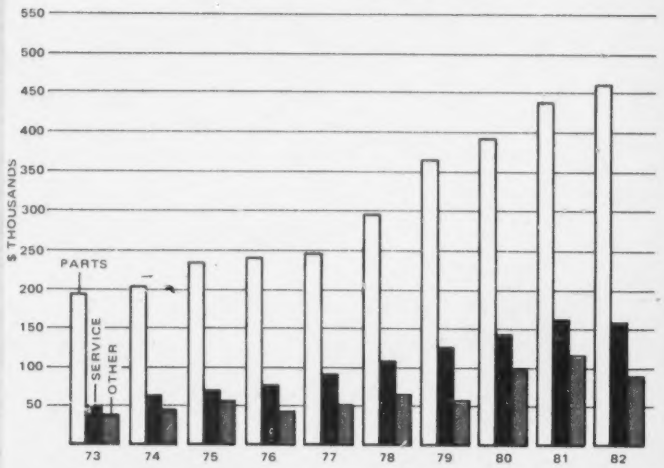


FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

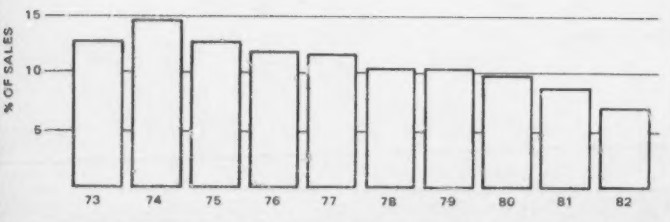
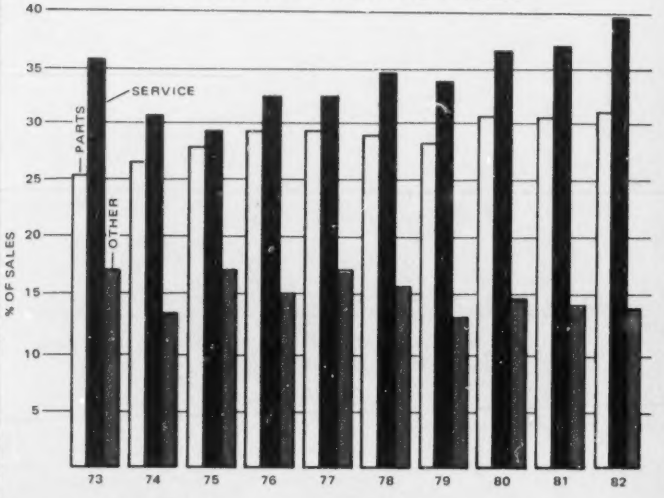


FIG. 6
PARTS–SERVICE–OTHER MARGIN TRENDS



IN-HOUSE DEALER COMPUTER SYSTEMS

WITH SOFTWARE PROGRAMMING TO FIT DEALER NEEDS

Challenger I

Challenger I is the ultimate in dealer management information processors. It does it all! The system features parts counter invoicing. It creates customer invoices and at the same time posts to accounts receivable, updates the parts inventory and the general ledger.

Invoicing itself is modernized in the Challenger I system, all of which is under operational control of parts counter personnel. Partsmen key in the part numbers and quantities, the system does an automatic look-up of prices, performs the arithmetic, prints the invoice, adds the sales tax if any, and prints the final total. "Discounts allowed" are handled automatically based on the status of each customer. It makes for greater accuracy in ticket preparation than ever before.

While the parts counter invoicing or service department invoicing is going on, other bookkeeping functions may also be performed in the accounting office and other locations in the dealership—ALL SIMULTANEOUS OPERATIONS. Whole goods invoices, customer work orders, receipts on account, accounts payable, disbursements, payroll, etc., are bookkeeping chores which may be performed on a CRT (work station) in the office, keyed into the computer without the slightest disruption of work being done at other locations. This is a totally integrated business system performing multiple tasks. and produces all of the management reports and account schedules that a dealer needs.

System hardware is the Texas Instruments Model 372 which is normally ordered with 256K of memory, 3 CRT terminals (work stations), 2 printers plus a Winchester WD-800 disk with 43 megabytes of storage.

Challenger II

Challenger II will become the first in-house computer system for some dealer-members, because of its lower cost. The Challenger II runs on a smaller computer and the cost is approximately half that of Challenger I. The Challenger II provides the same management reports and many of the benefits of the Challenger I system. Here are the differences between the two systems:

The Challenger II system

1. Does not have parts counter invoicing. Parts invoices are handwritten and batch-keyed into the computer. Therefore, bookkeeping takes a little longer. Also, customer credit limits are not as readily available to parts personnel as with the Challenger I.
2. Does not have an integrated parts inventory control system. Instead, the Challenger II has pad system capability similar to those currently being used by many dealers.
3. Requires batch-keying through a CRT work station of all business documents used in accounting and inventory; whereas with the Challenger I, batch-keying is required for all *except* parts and service invoices.
4. Supports only one CRT work station; whereas the Challenger I supports multiple work stations. In other words, all Challenger II paper work goes through the accounting department, while the Challenger I serves the parts counter, the accounting department, and possibly the sales and service departments of the dealership, depending on requirements.

System hardware is the Texas Instruments Model 251 which is normally ordered with 64K of memory, 1 CRT terminal (work station), 1 printer, and a WD-500 Winchester disk with 10 megabytes of storage. (Field upgradable to the Challenger I).

The following types of management reports are produced by these two systems:

—Accounts Receivables, Aging Reports and Monthly Statements
—Parts Inventory Control and Stock Ordering
—Accounts Payable and Check Writing
—Payroll Records and Check Writing
—Whole goods Unit Inventory, Floor Plan Note Records, and Salesmen's Productivity
—Customer Repair Order Invoicing and Mechanic Productivity
—General Ledger, utilizing account numbering system of dealer's choice
—Financial and Operating Statements formatted to dealer's specifications
—Schedules of Accounts as selected by dealer (or requested by dealer's CPA)

Various state and regional associations are selling and servicing the Challenger systems and some have Challenger I systems in the association headquarters office for hands-on demonstrations. The necessary consultations to dealer-members as to individual hardware and software requirements, plus on-site planning and costs can be obtained by contacting your association representatives.

At the National Convention in Kansas City, Missouri, the two Challenger systems will be on demonstration daily from August 7 to 10, 1983. We invite you to come to the convention and view the systems.

AUTHORIZED DEALER
TEXAS INSTRUMENTS COMPUTER SYSTEMS

For more information call (314) 821-7220
National Farm & Power Equipment Dealers Association
Dealer Management Services, 10877 Watson Rd., St. Louis, Mo 63127

OPERATING DATA — ALL DEALERS

OPERATING AVERAGES	AGRICULTURAL DEALERS Amount	% Sales	INDUSTRIAL DEALERS Amount	% Sales	LAWN AND GARDEN DEALERS Amount	% Sales
SALES						
New Equipment	$1,024,845	46.79	$1,080,657	44.21	$ 478,718	49.49
Used Equipment	441,431	20.16	417,290	17.08	113,106	11.70
Total New and Used	1,466,276	66.95	1,497,947	61.29	591,824	61.19
Repair Parts	457,045	20.87	541,927	22.17	238,154	24.63
Service Labor	157,181	7.18	182,837	7.48	89,085	9.21
Other Lines	93,766	4.28	135,879	5.56	40,425	4.18
Rental-Lease Income	15,713	.72	85,355	3.50	7,622	.79
TOTAL SALES	**2,189,981**	**100.00**	**2,443,945**	**100.00**	**967,110**	**100.00**
MARGINS						
New Equipment	86,788	8.47	127,263	11.78	76,307	15.94
Used Equipment	18,382	4.16	30,572	7.33	12,214	10.80
Total New and Used	105,170	7.17	157,835	10.54	88,521	14.96
Repair Parts	142,989	31.29	183,018	33.77	84,061	35.30
Service Labor	61,701	39.25	66,221	36.22	37,865	42.50
Other Lines	13,825	14.74	29,153	21.46	5,714	14.13
Rental-Lease Income	6,567	41.79	29,092	34.08	2,104	27.60
TOTAL OPERATING MARGIN	**330,252**	**15.08**	**465,319**	**19.04**	**218,265**	**22.57**
EXPENSES						
Salaries—Salesmen	30,726	1.40	48,307	1.97	15,812	1.63
Travel and Training	4,517	.20	6,224	.26	2,419	.25
Advertising and Promotion	15,201	.70	17,724	.72	13,393	1.38
After Sales & Warranty Expense	13,402	.61	14,885	.61	8,351	.87
TOTAL SALES EXPENSE	**63,846**	**2.91**	**87,140**	**3.56**	**39,975**	**4.13**
Salaries—Officers, Owners	38,620	1.76	50,551	2.07	22,501	2.33
Salaries—Partsmen	31,757	1.45	39,327	1.61	20,719	2.14
Salaries—Office and Others	24,695	1.13	31,868	1.30	17,629	1.82
Occupancy Expense	32,895	1.50	46,667	1.91	25,124	2.60
Heat, Light, Power, Water	8,334	.38	10,319	.42	4,986	.51
Telephone and Telegraph	6,436	.30	8,834	.37	4,555	.47
Office & Store Exp., and Postage	12,747	.58	13,792	.56	8,027	.83
Shop Supplies and Expense	9,815	.45	10,557	.43	4,112	.43
Car and Truck Expense	22,540	1.03	26,752	1.10	12,216	1.26
Taxes—Except Payroll & Real Estate	4,692	.21	7,956	.32	3,645	.38
Employee Benefits	31,936	1.46	47,016	1.93	21,893	2.26
Dues and Subscriptions	1,118	.05	1,547	.06	436	.05
Insurance—Except Group & R.E.	11,629	.53	15,925	.65	6,364	.66
Legal and Auditing	3,558	.16	5,572	.23	2,794	.29
Interest & Bank Chgs—Except R.E.	39,213	1.80	41,187	1.68	14,471	1.49
Depreciation	14,385	.65	24,161	.99	5,771	.60
Bad Debts	4,433	.20	7,105	.29	2,338	.24
Contributions and Miscellaneous	2,873	.14	8,804	.36	1,614	.17
TOTAL EXPENSE	**365,522**	**16.69**	**485,080**	**19.84**	**219,170**	**22.66**
NET PROFIT ON SALES	**(35,270)**	**(1.61)**	**(19,761)**	**(.80)**	**(905)**	**(.09)**
OTHER INCOME	**55,486**	**2.53**	**63,693**	**2.60**	**6,935**	**.71**
NET OPERATING PROFIT OR LOSS –Before Income Taxes–	**20,216**	**.92**	**43,932**	**1.80**	**6,030**	**.62**

FINANCIAL DATA — ALL DEALERS

BALANCE SHEET AVERAGES	AGRICULTURAL DEALERS Amount	AGRICULTURAL DEALERS % Total Assets	INDUSTRIAL DEALERS Amount	INDUSTRIAL DEALERS % Total Assets	LAWN AND GARDEN DEALERS Amount	LAWN AND GARDEN DEALERS % Total Assets
ASSETS						
Cash and Securities	$ 48,237	3.21	$ 89,189	5.60	$ 21,113	3.56
Accounts and Notes Receivable	132,694	8.84	170,197	10.70	59,932	10.11
TOTAL	180,931	12.05	259,386	16.30	81,045	13.67
INVENTORIES						
New Equipment	723,429	48.18	723,954	45.51	279,439	47.16
Used Equipment	209,908	13.98	177,722	11.17	59,328	10.01
Repair Parts	170,675	11.36	156,006	9.80	79,519	13.42
Other Lines	43,517	2.90	31,599	1.99	11,373	1.91
Rental or Lease	7,982	.53	32,326	2.03	1,380	.24
TOTAL INVENTORIES	**1,155,511**	**76.95**	**1,121,607**	**70.50**	**431,039**	**72.74**
TOTAL CURRENT ASSETS	**1,336,442**	**89.00**	**1,380,993**	**86.80**	**512,084**	**86.41**
Fixed Assets	118,672	7.91	157,607	9.91	61,079	10.30
Finance Reserve and Other Assets	46,388	3.09	52,255	3.29	19,440	3.29
TOTAL ASSETS	**1,501,502**	**100.00**	**1,590,855**	**100.00**	**592,603**	**100.00**
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	129,310		84,031		48,237	
Floor Plan Notes Payable	751,497		674,445		267,958	
Notes Payable—Bank and Other	118,045		78,429		64,187	
Mortgages and Other Long-Term	125,533		145,134		75,535	
TOTAL LIABILITIES	**1,124,385**		**982,039**		**455,917**	
Net Worth	377,117	25.12	608,816	38.27	136,686	23.07
TOTAL LIABILITIES AND NET WORTH	**1,501,502**		**1,590,855**		**592,603**	

FINANCIAL RATIOS	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	LAWN AND GARDEN DEALERS
Current Ratio	1.34 TO 1	1.65 TO 1	1.35 TO 1
Ownership Equity	25.12 %	38.27 %	23.07 %
Net Working Capital Turnover	6.46 TIMES	4.49 TIMES	7.34 TIMES
Inventory to Net Working Capital	3.42 TO 1	2.06 TO 1	3.27 TO 1
Turnover of Total Assets	1.45 TIMES	1.54 TIMES	1.63 TIMES
Return on Total Assets	1.41 %	2.76 %	1.02 %
Return on Net Worth	5.62 %	7.22 %	4.41 %

PERSONNEL DATA	AGRICULTURAL DEALERS	INDUSTRIAL DEALERS	LAWN AND GARDEN DEALERS
Average Number of Employees per Dealer	12.33	14.44	8.10
Average Total Sales per Employee	177,614	169,248	119,397
Average Total Assets per Employee	122,812	110,170	73,161
Average Number of Salesmen—Including Owners	2.84	3.44	2.43
Average New and Used Sales per Salesman	516,295	435,450	243,549
Average Number of Partsmen	1.97	2.24	1.29
Average Parts Sales per Partsman	232,003	241,932	184,616
Average Number of Servicemen	5.50	6.19	2.86
Average Service Sales per Serviceman	28,579	29,537	31,149
Average Number of Office Employees	1.47	1.93	1.24
Average Number of Other Employees	.55	.64	.29

AGRICULTURAL DEALER OPERATIONS BY SALES VOLUME SIZE

OPERATING AVERAGES	SALES UNDER 1,000,000 AVERAGE Amount	AVERAGE % Sales	HIGH PROFIT Amount	HIGH PROFIT % Sales	YOUR FIGURES Amount	YOUR FIGURES % Sales
SALES						
New Equipment	$ 312,933	45.07	$ 296,144	44.10		
Used Equipment	111,008	15.99	100,689	15.00		
Total New and Used	423,941	61.06	396,833	59.10		
Repair Parts	190,427	27.43	206,462	30.75		
Service Labor	51,627	7.43	47,937	7.14		
Other Lines	24,764	3.57	18,786	2.80		
Rental-Lease Income	3,512	.51	1,379	.21		
TOTAL SALES	**694,271**	**100.00**	**671,397**	**100.00**		
MARGINS						
New Equipment	34,968	11.17	41,044	13.86		
Used Equipment	10,064	9.07	10,775	10.70		
Total New and Used	45,032	10.62	51,819	13.06		
Repair Parts	59,041	31.00	66,709	32.31		
Service Labor	16,814	32.57	15,958	33.29		
Other Lines	3,860	15.59	4,473	23.81		
Rental-Lease Income	1,865	53.10	1,090	79.04		
TOTAL OPERATING MARGIN	**126,612**	**18.24**	**140,049**	**20.86**		
EXPENSES						
Salaries—Salesmen	8,862	1.27	8,306	1.23		
Travel and Training	1,569	.23	1,278	.19		
Advertising and Promotion	6,165	.89	4,669	.70		
After Sales & Warranty Expense	3,328	.47	3,298	.49		
TOTAL SALES EXPENSE	**19,924**	**2.86**	**17,551**	**2.61**		
Salaries—Officers, Owners	16,864	2.43	13,720	2.04		
Salaries—Partsmen	12,343	1.78	10,758	1.60		
Salaries—Office and Others	9,132	1.32	8,294	1.24		
Occupancy Expense	13,607	1.96	11,385	1.70		
Heat, Light, Power, Water	4,344	.62	3,830	.57		
Telephone and Telegraph	2.910	.42	2,305	.34		
Office and Store Exp., and Postage	4,162	.60	3,612	.54		
Shop Supplies and Expense	4,944	.71	3,694	.55		
Car and Truck Expense	9,264	1.34	8,176	1.22		
Taxes—Except Payroll & Real Estate	2,566	.37	2,261	.33		
Employee Benefits	11,794	1.70	9,572	1.43		
Dues and Subscriptions	698	.10	614	.09		
Insurance—Except Group & R.E.	6,069	.87	6,063	.90		
Legal and Auditing	1,534	.22	1,030	.16		
Interest & Bank Chgs—Except R.E.	20,595	2.97	10,615	1.58		
Depreciation	6,392	.92	4,231	.63		
Bad Debts	950	.14	1,608	.24		
Contributions and Miscellaneous	1,009	.14	1,420	.21		
TOTAL EXPENSE	**149,101**	**21.47**	**120,739**	**17.98**		
NET PROFIT ON SALES	**(22,489)**	**(3.23)**	**19,310**	**2.88**		
OTHER INCOME	**19,721**	**2.84**	**27,011**	**4.02**		
NET OPERATING PROFIT OR LOSS –Before Income Taxes–	**(2,768)**	**(.39)**	**46,321**	**6.90**		

SALES $1,000,000 TO $2,000,000				SALES $2,000,000 TO $3,000,000				SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$ 688,277	46.09	$ 671,885	46.21	$1,161,865	47.20	$1,126,499	45.98	$2,236,168	47.21	$2,320,313	48.04
272,094	18.23	244,866	16.84	477,148	19.38	458,472	18.71	1,055,530	22.29	1,051,713	21.77
960,371	64.32	916,751	63.05	1,639,013	66.58	1,584,971	64.69	3,291,698	69.50	3,372,026	69.81
353,610	23.68	373,021	25.66	517,921	21.04	536,789	21.91	862,909	18.22	886,973	18.37
113,280	7.59	97,075	6.68	175,534	7.14	170,702	6.97	328,966	6.95	301,693	6.24
54,822	3.67	56,003	3.85	113,841	4.62	147,206	6.01	214,297	4.52	213,585	4.43
11,008	.74	11,006	.76	15,117	.62	10,151	.42	37,895	.81	55,504	1.15
1,493,091	**100.00**	**1,453,856**	**100.00**	**2,461,426**	**100.00**	**2,449,819**	**100.00**	**4,735,765**	**100.00**	**4,829,781**	**100.00**
64,641	9.39	84,392	12.56	99,371	8.55	111,000	9.85	168,246	7.52	199,354	8.59
14,126	5.19	23,080	9.43	14,844	3.11	41,150	8.98	38,628	3.66	91,007	8.65
78,767	8.20	107,472	11.72	114,215	6.97	152,150	9.60	206,874	6.28	290,361	8.61
112,146	31.71	122,962	32.96	161,828	31.25	177,899	33.14	268,279	31.09	295,914	33.36
43,576	38.47	37,080	38.20	64,776	36.90	64,731	37.92	138,967	42.24	125,587	41.63
8,574	15.64	11,021	19.68	17,629	15.49	21,383	14.53	29,634	13.83	41,339	19.35
5,313	48.26	5,410	49.16	7,094	46.93	4,840	47.68	13,370	35.28	27,519	49.58
248,376	**16.64**	**283,945**	**19.53**	**365,542**	**14.85**	**421,003**	**17.19**	**657,124**	**13.88**	**780,720**	**16.16**
20,084	1.34	18,082	1.24	38,643	1.56	38,168	1.55	64,423	1.36	58,266	1.20
3,243	.22	3,262	.22	5,422	.23	5,380	.22	8,969	.18	8,513	.18
11,540	.77	10,391	.72	17,030	.69	15,713	.64	29,470	.63	27,763	.57
8,793	.59	6,649	.46	14,226	.58	11,536	.47	31,494	.66	23,434	.49
43,660	**2.92**	**38,384**	**2.64**	**75,321**	**3.06**	**70,797**	**2.88**	**134,356**	**2.83**	**117,976**	**2.44**
31,841	2.13	37,142	2.55	40,552	1.64	41,906	1.72	72,268	1.53	71,859	1.49
24,524	1.64	25,314	1.74	37,268	1.52	39,337	1.60	59,648	1.26	62,343	1.29
18,160	1.22	18,157	1.25	29,031	1.18	30,493	1.25	48,362	1.02	48,968	1.01
25,427	1.70	21,203	1.46	39,126	1.59	31,060	1.26	60,256	1.27	54,373	1.13
6,847	.46	6,412	.44	9,355	.38	7,375	.30	14,188	.30	13,156	.27
4,895	.33	4,587	.31	7,093	.28	6,630	.28	12,248	.26	12,404	.26
9,334	.63	7,189	.50	15,060	.62	12,470	.50	25,568	.54	22,380	.46
6,912	.46	5,992	.41	11,149	.45	13,108	.54	18,669	.39	15,588	.32
16,355	1.09	14,745	1.02	23,559	.96	23,856	.97	46,639	.99	43,244	.90
3,908	.27	4,407	.30	5,395	.21	5,765	.24	7,626	.16	8,736	.18
23,663	1.58	21,974	1.51	37,325	1.52	38,883	1.59	62,500	1.32	59,177	1.22
928	.06	932	.06	1,293	.05	1,176	.04	1,715	.04	2,057	.05
9,511	.64	9,794	.68	12,971	.53	10,921	.45	19,949	.42	17,644	.36
2,846	.19	2,834	.19	3,995	.16	3,476	.14	6,541	.13	7,821	.16
31,052	2.08	15,931	1.10	47,028	1.91	25,955	1.06	65,253	1.38	44,028	.91
10,408	.70	10,069	.69	15,789	.65	11,690	.48	28,459	.60	30,141	.63
3,208	.21	4,183	.29	5,465	.22	5,462	.22	9,268	.20	9,779	.20
1,956	.13	1,697	.12	2,722	.11	2,250	.09	6,655	.14	4,236	.09
275,435	**18.44**	**250,946**	**17.26**	**419,497**	**17.04**	**382,610**	**15.61**	**700,168**	**14.78**	**645,910**	**13.37**
(27,059)	**(1.81)**	**32,999**	**2.27**	**(53,955)**	**(2.19)**	**38,393**	**1.57**	**(43,044)**	**(.90)**	**134,810**	**2.79**
36,833	**2.46**	**41,215**	**2.83**	**62,507**	**2.53**	**70,527**	**2.87**	**119,083**	**2.51**	**145,980**	**3.02**
9,774	**.65**	**74,214**	**5.10**	**8,552**	**.34**	**108,920**	**4.44**	**76,039**	**1.61**	**280,790**	**5.81**

AGRICULTURAL DEALER BALANCE SHEETS, FINANCIAL RATIOS AND PERSONNEL DATA BY SALES VOLUME SIZE

BALANCE SHEET AVERAGES	SALES UNDER $1,000,000 AVERAGE Amount	% Total Assets	HIGH PROFIT Amount	% Total Assets	YOUR FIGURES Amount	% Total Assets
ASSETS						
Cash and Securities	$ 25,512	3.89	$ 46,426	7.59		
Accounts and Notes Receivable	48,179	7.36	52,960	8.66		
TOTAL	73,691	11.25	99,386	16.25		
INVENTORIES						
New Equipment	319,811	48.83	283,775	46.43		
Used Equipment	87,075	13.30	67,063	10.97		
Repair Parts	85,587	13.07	76,043	12.44		
Other Lines	17,361	2.65	14,755	2.41		
Rental or Lease	1,315	.20	169	.03		
TOTAL INVENTORIES	**511,149**	**78.05**	**441,805**	**72.28**		
TOTAL CURRENT ASSETS	**584,840**	**89.30**	**541,191**	**88.53**		
Fixed Assets	51,355	7.84	56,491	9.24		
Finance Reserve and Other Assets	18,683	2.86	13,589	2.23		
TOTAL ASSETS	**654,878**	**100.00**	**611,271**	**100.00**		
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	45,815		41,727			
Floor Plan Notes Payable	305,825		256,639			
Notes Payable—Bank and Other	63,169		41,851			
Mortgages and Other Long-Term	77,614		40,775			
TOTAL LIABILITIES	**492,423**		**380,992**			
Net Worth	162,455	24.81	230,279	37.67		
TOTAL LIABILITIES AND NET WORTH	**654,878**		**611,271**			

INVENTORY TURNOVER	Amount	Times Turn	Amount	Times Turn		
New Equipment	319,811	.87	283,775	.90		
Used Equipment	87,075	1.16	67,063	1.34		
Repair Parts	85,587	1.54	76,043	1.84		
Other Lines	17,361	1.20	14,755	.97		
Rental or Lease	1,315	1.25	169	1.71		
TOTAL INVENTORIES	**511,149**	**1.04**	**441,805**	**1.13**		

FINANCIAL RATIOS				
Current Ratio	1.41 TO 1		1.59 TO 1	
Ownership Equity	24.81 %		37.67%	
Net Working Capital Turnover	4.08 TIMES		3.34 TIMES	
Inventory to Net Working Capital	3.01 TO 1		2.20 TO 1	
Turnover of Total Assets	1.06 TIMES		1.10 TIMES	
Return on Total Assets	(.42)%		7.58 %	
Return on Net Worth	(1.70)%		20.12 %	

PERSONNEL DATA				
Average Number of Employees per Dealer	6.43		6.56	
Average Total Sales per Employee	107,974		102,347	
Average Total Assets per Employee	101,847		93,182	
Average Number of Salesmen—Including Owners	1.77		1.65	
Average New and Used Sales per Salesman	239,515		240,505	
Average Number of Partsmen	1.02		1.15	
Average Parts Sales per Partsman	186,693		179,532	
Average Number of Servicemen	2.58		2.69	
Average Service Sales per Serviceman	20,010		17,820	
Average Number of Office Employees	.91		.88	
Average Number of Other Employees	.16		.21	
Average Hourly Wage—Top Mechanic	6.65		6.16	
Average Hourly Wage—Regular Mechanic	5.16		5.17	
Average Hourly Customer Shop Rate	18.53		18.39	
Average Hourly Internal Shop Rate	15.22		15.80	
Service Shop Open—Average Hours Per Week	43.97		44.21	

SALES $1,000,000 TO $2,000,000				SALES $2,000,000 TO $3,000,000				SALES OVER $3,000,000			
AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT		AVERAGE		HIGH PROFIT	
Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
$ 39,700	3.56	$ 65,240	6.42	$ 42,819	2.59	$ 74,134	4 52	$ 94,216	3.16	$ 152,868	4.79
85,873	7.71	89,015	8.76	140,197	8.48	151,880	9.28	292,245	9.84	326,790	10.24
125,573	11.27	154,255	15.18	183,016	11.07	226,014	13.80	386,461	13.00	479,658	15.03
566,775	50.89	474,716	46.75	790,948	47.85	750,572	45.85	1,383,564	46.54	1,490,787	46.73
148,533	13.34	113,374	11.16	242,641	14.68	210,763	12.87	430,840	14.50	353,740	11.09
132,541	11.90	119,059	11.72	200,823	12.15	208,386	12.73	306,849	10.32	267,890	8.39
35,055	3.14	32,323	3.18	54,648	3.31	75,564	4.62	79,692	2.68	71,174	2.24
5,651	.51	8,678	.86	7,057	.42	4,868	.30	18,481	.62	27,977	.87
888,555	**79.78**	**748,150**	**73.67**	**1,296,117**	**78.41**	**1,250,153**	**76.37**	**2,219,426**	**74.66**	**2,211,568**	**69.32**
1,014,128	**91.05**	**902,405**	**88.85**	**1,479,133**	**89.48**	**1,476,167**	**90.17**	**2,605,887**	**87.66**	**2,691,226**	**84.35**
77,984	7.00	91,684	9.03	126,880	7.68	108,330	6.61	246,403	8.29	285,384	8.95
21,619	1.95	21,526	2.12	46,882	2.84	52,555	3.22	120,181	4.05	213,662	6.70
1,113,731	**100.00**	**1,015,615**	**100.00**	**1,652,895**	**100.00**	**1,637,052**	**100.00**	**2,972,471**	**100.00**	**3,190,272**	**100.00**
85,160		85,238		136,980		184,019		297,300		271,038	
572,749		425,318		856,664		736,088		1,480,074		1,556,540	
83,458		32,011		155,120		95,490		207,104		215,771	
97,207		89,572		136,822		111,205		212,410		150,851	
838,574		**632,139**		**1,285,586**		**1,126,802**		**2,196,888**		**2,194,200**	
275,157	24.71	383,476	37.76	367,309	22.22	510,250	31.17	775,583	26.09	996,072	31.22
1,113,731		**1,015,615**		**1,652,895**		**1,637,052**		**2,972,471**		**3,190,272**	
Amount	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**
566,775	1.10	474,716	1.24	790,948	1.34	750,572	1.35	1,406,646	1.47	1,490,787	1.42
148,533	1.74	113,374	1.96	242,641	1.91	210,763	1.98	437,594	2.32	353,740	2.72
132,541	1.82	119,059	2.10	200,823	1.77	208,386	1.72	309,740	1.92	267,890	2.21
35,055	1.32	32,323	1.39	54,648	1.76	75,564	1.67	81,256	2.27	71,174	2.42
5,651	1.01	8,678	.64	7,057	1.14	4,868	1.09	14,370	1.71	27,977	1.00
888,555	**1.32**	**748,150**	**1.48**	**1,296,117**	**1.53**	**1,250,153**	**1.54**	**2,249,606**	**1.73**	**2,211,568**	**1.75**
1.37 TO 1		1.66 TO 1		1.29 TO 1		1.45 TO 1		1.31 TO 1		1.32 TO 1	
24.71 %		37.76 %		22.22 %		31.17 %		26.09 %		31.22 %	
5.47 TIMES		4.04 TIMES		7.45 TIMES		5.32 TIMES		7.60 TIMES		7.45 TIMES	
3.26 TO 1		2.08 TO 1		3.92 TO 1		2.71 TO 1		3.57 TO 1		3.41 TO 1	
1.34 TIMES		1.43 TIMES		1.49 TIMES		1.50 TIMES		1.59 TIMES		1.51 TIMES	
.88 %		7.31 %		.52 %		6.65 %		2.73 %		8.80 %	
3.55 %		19.35 %		2.33 %		21.35 %		10.45 %		28.19 %	
10.27		10.70		13.72		13.44		20.32		19.42	
145,384		135,875		179,404		182,278		233,059		248,701	
108,445		94,917		120,473		121,804		147,439		164,278	
2.42		2.52		3.12		3.00		4.32		4.22	
396,848		363,790		525,325		528,324		761,967		799,059	
1.63		1.67		2.19		2.25		3.29		3.29	
216,939		223,366		236,494		238,573		262,283		269,597	
4.50		4.52		6.08		6.17		9.55		8.62	
25,173		21,477		28,871		27,667		34,447		34,999	
1.32		1.37		1.60		1.58		2.17		2.02	
.40		.61		.72		.44		.99		1.27	
7.25		7.18		7.67		7.94		8.74		9.28	
5.85		5.51		6.20		6.41		6.87		7.50	
19.67		19.34		20.73		20.42		22.67		23.54	
17.27		16.37		17.99		18.22		19.67		21.13	
45.35		45.21		46.43		46.85		46.39		45.16	

AGRICULTURAL DEALER OPERATIONS BY GEOGRAPHIC REGION

OPERATING AVERAGES	EASTERN REGION Amount	EASTERN REGION % Sales	CENTRAL REGION Amount	CENTRAL REGION % Sales	WESTERN REGION Amount	WESTERN REGION % Sales
SALES						
New Equipment	$ 872,235	44.31	$1,001,230	46.71	$1,205,204	48.41
Used Equipment	320,689	16.29	466,975	21.79	494,452	19.87
Total New and Used	1,192,924	60.60	1,468,205	68.50	1,699,656	68.28
Repair Parts	486,297	24.71	414,667	19.34	524,874	21.08
Service Labor	150,810	7.66	155,151	7.24	167,585	6.74
Other Lines	110,371	5.61	93,840	4.38	92,136	3.30
Rental-Lease Income	27,915	1.42	11,441	.54	14,917	.60
TOTAL SALES	**1,968,317**	**100.00**	**2,143,304**	**100.00**	**2,489,168**	**100.00**
MARGINS						
New Equipment	89,318	10.24	79,402	7.93	100,143	8.31
Used Equipment	9,531	2.97	21,059	4.51	20,247	4.09
Total New and Used	98,849	8.29	100,461	6.84	120,390	7.08
Repair Parts	154,070	31.68	129,999	31.35	162,742	31.01
Service Labor	57,038	37.82	62,161	40.06	64,806	38.67
Other Lines	20,745	18.80	11,698	12.47	12,889	15.69
Rental-Lease Income	7,501	26.87	5,905	51.61	7,335	49.17
TOTAL OPERATING MARGIN	**338,203**	**17.18**	**310,223**	**14.47**	**368,162**	**14.79**
EXPENSES						
Salaries—Salesmen	32,776	1.66	27,824	1.29	35,544	1.42
Travel and Training	4,703	.24	3,961	.19	5,609	.23
Advertising and Promotion	14,626	.74	15,097	.70	15,920	.64
After Sales & Warranty Expense	10,604	.54	13,498	.63	15,770	.63
TOTAL SALES EXPENSE	**62,709**	**3.18**	**60,380**	**2.81**	**72,843**	**2.92**
Salaries—Officers, Owners	36,923	1.88	37,403	1.75	42,840	1.72
Salaries—Partsmen	29,951	1.52	30,206	1.41	36,876	1.48
Salaries—Office and Others	28,249	1.43	22,079	1.03	27,284	1.10
Occupancy Expense	27,287	1.39	33,655	1.57	36,419	1.46
Heat, Light, Power, Water	8,316	.42	8,374	.39	8,288	.34
Telephone and Telegraph	7,051	.36	5,982	.28	6,882	.27
Office & Store Exp., and Postage	13,932	.71	11,769	.55	14,016	.57
Shop Supplies and Expense	10,765	.55	8,545	.39	11,566	.46
Car and Truck Expense	23,901	1.21	21,419	1.00	23,778	.96
Taxes—Except Payroll & Real Estate	5,229	.27	4,078	.19	5,502	.22
Employee Benefits	31,167	1.58	30,411	1.42	36,109	1.45
Dues and Subscriptions	1,054	.05	1,148	.06	1,128	.04
Insurance—Except Group & R.E.	12,051	.61	11,366	.53	11,868	.48
Legal and Auditing	4,277	.22	3,267	.15	3,524	.14
Interest & Bank Chgs—Except R.E.	39,368	1.00	39,692	1.85	38,311	1.54
Depreciation	12,328	.63	13,498	.63	18,088	.73
Bad Debts	6,518	.33	3,261	.15	5,195	.21
Contributions and Miscellaneous	4,367	.22	2,224	.11	2,959	.11
TOTAL EXPENSE	**365,443**	**18.56**	**348,757**	**16.27**	**403,476**	**16.20**
NET PROFIT ON SALES	**(27,240)**	**(1.38)**	**(38,534)**	**(1.79)**	**(35,314)**	**(1.41)**
OTHER INCOME	**52,849**	**2.68**	**49,929**	**2.32**	**70,072**	**2.81**
NET OPERATING PROFIT OR LOSS –Before Income Taxes–	**25,609**	**1.30**	**11,395**	**.53**	**34,758**	**1.40**

TEN IMPORTANT FINANCIAL AND OPERATING RATIOS

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help to measure the ability of their business to generate profits and to meet claims against it. They provide the basis, also, for isolating the business' strengths and weaknesses and may, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Dealers having adequate records will find comparison of these ratios most revealing and helpful.

CURRENT RATIO

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of 2.00 to 1 ($2.00 of Current Assets for each $1.00 of Current Liabilities) is considered satisfactory. When the ratio falls below 2.00 to 1, creditors have a greater interest in Current Assets than the owner.

EMPLOYEE STUDIES

In the space provided on page 12, enter the number of employees in each category as applicable for your business. Then calculate the average sales per employee by dividing the applicable sales amount by the number of employees for each category.

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

OWNERSHIP EQUITY

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets".

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

RECEIVABLES TURNOVER

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows whether or not receivables are in proportion to amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with ratio for same period in past two or three years. Unfavorable trends can thus be detected.

NET WORKING CAPITAL TURNOVER

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

How many times Net Working Capital turns over in a year in Sales is a good measure of activity for any business. It is a sensitive indicator of overtrading or undertrading; and as such, it is a good test of the adequacy of Net Working Capital for the scale of operations of the firm.

When this ratio is too high, it will usually be found that the dealership is short of cash and heavy on receivables and paid-for inventory. This situation promotes borrowing or sale of equipment at a loss to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the dealership is indicated. It is usually attended by a pile-up of receivables or inventory or cash, or a combination of these, in excess of the needs of the business.

INVENTORY TO NET WORKING CAPITAL

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because first, inventories are characteristically heavy and represent a major portion of Total Current Assets; and second, because of the heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

TURNOVER OF TOTAL ASSETS

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated in the question of why a dealership with $750,000 of Total Assets achieves Total Sales of $1,500,000 while another with an equal amount of assets achieves a Total Sales volume of only $1,000,000. The first would seem to be more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

RETURN ON ASSETS

Figure by dividing Net Profit by Total Assets.

This ratio, too, is an important test of operating efficiency. It is a test of the quality of management in the utilization of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings, or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

RETURN ON NET WORTH

Figure by dividing Net Profit by Net Worth.

In using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something; therefore, all Net Profit ratios should be based upon the profit *after* this salary is paid or taken into consideration in the figuring. Adequacy of profit must be measured in the light of current returns on money in the investment market, as well as compensation for risk.

INVENTORY TURNOVER

Figure by dividing Cost of Sales by Inventory.

Cost of Sales figures are not reported in this study but may be figured, if needed, by subtracting Margin from the corresponding Sales.

This ratio shows the number of times Inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

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